

## CIRCULATION OF NATIONAL BANKS.

FEBRUARY 1, 1899.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

R. VAN VOORHIS, from the Committee on Banking and Currency, submitted the following

### REPORT.

[To accompany H. R. 7879.]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 7879) to increase the circulation of national banks, having duly considered the same, respectfully report as follows:

Existing law authorizes national banks to issue circulation to the amount of 90 per cent of the par value of the bonds deposited with the Treasurer of the United States to secure circulation. By this bill is proposed to amend existing law so as to authorize national banks to issue circulation to the par value of the bonds deposited to secure the same.

On the 30th day of January, 1899, there was deposited to secure national-bank circulation United States bonds amounting to \$236,445,840. The circulation possible under existing law on the bonds so deposited amounts to \$212,801,256. The circulation possible under a law permitting an issue up to the par of the bonds would be \$236,445,840, an increase over that of existing law of \$23,644,584.

The wisdom of amending the law so as to provide for this increased circulation does not seem to the committee to admit of doubt. There are no United States bonds now out excepting the 2 per cent bonds, which are not selling in the market at a considerable premium, and therefore no possible loss could occur to the note holder by the amendment proposed, even if there was no other recourse; but when we consider that the note holders have a first lien upon all the assets of the bank in addition to the security of the bonds deposited, there can exist in no case the possibility of loss.

Under existing law the banks are deprived of a portion of their available capital for loaning purposes, and to that extent accommodations to business are withheld which otherwise might be available. It seems clear that when the banks find so little profit in their circulation, as now limited, that it scarcely pays to take it out, there ought to be an enlargement of their rights to issue notes so as to afford an inducement to furnish as large a measure of accommodation to the community as is compatible with entire safety to note holders.

The issuing of circulating notes to the par value of bonds deposited

to secure the same is recommended by the Comptroller of the Currency, and has been heretofore recommended by every Comptroller from the time of and including Comptroller Knox.

The committee is of opinion that if this bill becomes a law there will be an increase in the amount of circulation issued when the demands of business require it, and thus a distinct benefit will come both to the banks and to the community, without in the slightest degree endangering note holders.

Under existing law the only tax assessed against national banks is a tax of 1 per cent on circulation. The Comptroller of the Currency has recommended from time to time that the law assessing the tax upon circulation should be repealed, for the reason that, with this additional burden, there was little or no profit to the banks in issuing notes. By this bill it is proposed to amend existing law so that the tax on national banks shall be assessed upon the franchise of the banks measured by their capital, surplus, and undivided profits. A tax of one-eighth of 1 per cent each six months will realize to the Government somewhat more than the present tax on circulation, and will be equally distributed. The tax of 1 per cent on circulation outstanding January 30, 1899, would amount to \$2,111,289. The tax assessed by this proposed amendment on capital, surplus, and undivided profits, as shown by bank statement of December 1, 1898, would amount to \$2,408,953.

Under the existing law the minimum capital stock required for the organization of a national bank is \$50,000. In some sections of the country there has been a growing need for bank issues, as well as for other banking accommodations, in small towns in which the amount of \$50,000 can not readily be raised for banking purposes. The inequality in the distribution of national banks is one of the marked features of our national banking system. In the Eastern and Middle States banks are abundant and this alteration in the law would not be availed of to any considerable extent. But in the Western and Southern States there is a dearth of banks in many sections, due, no doubt, to the lack of capital in those sections.

The following statement illustrates the situation:

*Statement of banks, bank stock, and bank circulation in the States named.*

States.	Number of banks.	Bank stock.	Bank circulation.
Massachusetts .....	268	\$97,017,500	\$31,511,700
Pennsylvania .....	412	74,233,129	27,609,870
New York .....	334	87,136,060	35,623,521
Ohio .....	248	45,645,338	15,714,986
Illinois .....	220	38,696,000	7,322,015
Indiana .....	114	14,372,000	5,521,060
New Jersey .....	102	14,385,000	4,966,521
Iowa .....	168	13,510,000	3,865,398
North Carolina .....	27	2,716,000	830,067
South Carolina .....	16	1,918,000	540,473
Georgia .....	29	3,666,000	1,143,504
Florida .....	18	1,485,000	368,668
Alabama .....	26	3,585,000	1,206,825
Mississippi .....	18	755,000	249,531
Louisiana .....	21	3,735,000	1,349,895
Arkansas .....	9	1,220,000	279,910

It thus appears that a marked discrepancy exists in the bank circulation and accommodations in the different sections of the country. This inequality may be remedied, in part, at least, and the existing need met to some extent in the sections where there is a dearth of bank



issues and banks are so remote from each other as to afford grossly inadequate accommodations. Relief of this character has been recommended by those best qualified to judge, and meets the approval of the Comptroller of the Currency, who is most familiar with the banking needs of the country.

Your committee therefore recommend the passage of the bill, with the following amendment:

In line 12, page 3, strike out the word "two" and insert "three," making it read "three thousand inhabitants."

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